

An extraordinary rise in probate charges has angered readers, writes **Nina Montagu-Smith**

AN INCREASE of 9,302% in the “death tax” triggered fury last week among our readers – and their anger will be fuelled by revelations of how much the government will make from the changes to probate.

At present, all estates in England and Wales worth more than £5,000 pay a flat fee of £215, or £155 if it is done through a solicitor. From May, the charge will be increased to as much as £20,000.

The Ministry of Justice (MoJ) initially said that it expected to make £250m a year from the controversial change. In a written statement to parliament last month, Sir Oliver Heald, minister for courts and justice, said it would be closer to £300m a year. But last week official budget documents revealed that it could be as much as £350m a year by 2022.

Fees in Scotland, which has a different legal system, and Northern Ireland will remain at a flat rate of £200.

The change means larger estates will trigger higher fees. They range from £300 on estates of £50,000–£300,000 to £8,000 for those valued at £1,000,001–£1.6m and a maximum of £20,000 on those worth over £2m.

This is not the only blow for the bereaved. From next month, the government will stop the money paid to a widowed parent with young children after just 18 months – rather than continuing the payments, which are based on the late spouse’s national insurance contributions, until the children have grown up.

The decision to raise fees for granting probate has caused fury among Money’s readers. Martin Armitstead, from Ickford in Buckinghamshire, wrote: “My wife and I have been struggling all weekend to complete the probate forms for my late mother-in-law.

“Her estate is by no means large, nor were her affairs



ADRIAN BUCK

Death blow: grieving families could lose up to £20,000 under the new probate charges

Your fury at 9,300% tax hike for bereaved

complicated, but all the information required and the cross-referencing is more challenging than the most fiendish Sudoku.

“The process of completing lengthy and complex paperwork and form filling, with the prospect of fines for getting it wrong, make any increased fees totally unpalatable.”

Larry Callaghan, of Lichfield, Staffordshire, wrote: “Having worked for 45 years, and being part of a generation where saving was important, I was appalled to read about the outrageous increase in probate fees. I have saved hard, as well as paying exorbitant taxes, throughout my working life to provide for my wife and I to enable us to have a secure and comfortable retirement.

“In addition, I want to be in a position to leave my grandchildren in a good place with respect to education etc.”

Graeme Robb, senior technical manager at the insurer Prudential, said: “Linking probate fees to the size of a person’s estate is effectively a

tax on bereavement. Families with large estates will now start considering ways to reduce the size of their estate before they die.”

The MoJ, which set the new fees, pointed out that probate will be charged only on estates worth more than £50,000, so 58% of estates will now pay nothing at all. It said: “These proposals would raise a critical contribution to cutting the

deficit and reducing the burden on the taxpayer of running the courts and tribunals.”

Courts in England and Wales grant probate to about 530,000 estates each year. Rising house prices mean more will be caught by the higher fees. In January, 530 homes sold for £1m or higher in England and Wales, according to the Land Registry. A consultation on the

plans to raise probate fees was announced in February last year by Michael Gove, who was then the justice secretary.

Of the 829 responses to the consultation, only 63 agreed with the proposals, 695 disagreed and 71 agreed with some but not all of the proposals.

One of our readers, who did not want to be named, wrote: “I started out with nothing and worked hard. I do not have a business to leave my family, just my estate, which is now substantial and over £2m. Where a will exists and has been certified by a solicitor, there should be no requirement for a letter of probate.”

Others complained that taxpayers should not be charged for what is a public service. Patrick Bazley White, from Stoke-by-Nayland in Suffolk, wrote: “The fees for probate bear no relation to the cost of the service.

“The next logical step in this saga of larceny is to charge homeowners a callout fee for the firefighters who attend their burning house.”

What are the new probate fees?

Size of estate	Fee
£50,000 or less	£0
£50,001–£300,000	£300
£300,001–£500,000	£1,000
£500,001–£1m	£4,000
£1m–£1.6m	£8,000
£1.6m–£2m	£12,000
£2m+	£20,000

Source: Ministry of Justice

Hammond's hammer falls squarely on the striving self-employed

ROSS CLARK



I STRUGGLE to see what is so unfair about Britain’s army of self-employed workers like me having a slightly lower rate of national insurance contributions (Nics) compared with the employed (9% rather than 12%). Given that we don’t receive the same benefits, such as statutory sick pay, maternity and paternity pay and a pension into which a boss pays money, it is only reasonable that we pay less.

We are not protected through employment legislation, nor do we enjoy paid holidays, subsidised healthcare, creches and many other things enjoyed by at least some employed people. There are, by the way, a record 4.8m self-employed people in the UK, according to the Office for National Statistics.

There is a problem with big business shifting employees into bogus self-employment to cut their own tax bills (and avoid employment law), but why does Philip Hammond want to punish the victims of this process? The employers will continue to have a strong incentive to turn employees over to self-employment – and, to boot, they have been rewarded with a cut in corporation tax.

By raising our class 4 Nics to 11% by 2019, Hammond will simply exacerbate the real unfairness of national insurance: that it is an income tax that applies only to earned income. If you live courtesy of a trust fund set up by Daddy, you don’t pay a penny in NI. Bizarrely, the government has

done everything it can to help the idle rich. It has cut inheritance tax on homes worth up to £1m and held capital gains tax rates (up to 28%) well below the upper rate of income tax (45%), helping those who have made big property windfalls.

Moreover, Hammond confirmed a rise in the annual Isa allowance announced last year by George Osborne. High earners can now put £20,000 a year into this tax shelter. Invest this sum every year for 25 years and you should have a fund of £1m or more – easily enough to give you a retirement income of £50,000 a year entirely tax-free.

Meanwhile, younger people get hammered by more tax rises.

BIZARRELY, THE GOVERNMENT HAS DONE EVERYTHING IT CAN TO HELP THE IDLE RICH

Last week’s budget continues the trend of the past few years: transferring wealth from the young to rich retired people who do not pay NI once they reach state pension age*. I know the elderly vote in especially large numbers, but making enemies of the taxi drivers, tradesmen and small-shop owners who make up the self-employed and who – until now – have tended to be staunch Conservative supporters seems to me to be a huge political own goal by Hammond. That he broke a manifesto commitment makes it even more of a folly and

explains why so many Conservatives have threatened to rebel, forcing the prime minister to delay a vote until the autumn.

What Hammond should have done is to make a rule that any company employing staff on more than, say, 15 hours a week on self-employment contracts would be forced to pay NI contributions on those staff as if they were employed.

He should then have announced a longer-term plan to phase out NI for good, making up for lost revenue by increasing rates of income tax and by reducing some allowances, such as tax relief on pensions. We need some incentive to save, but we don’t need to encourage high earners on salaries of up to £150,000 to put away £40,000 a year in a pension.

These changes would increase taxes for people living off investments but decrease them for people earning a living. They would also cut the cost of employing people.

In the 1970s, Labour imposed extra taxes on unearned income. We now, bizarrely, have a system that taxes earned income at a higher rate – as if work were something that needed to be discouraged. Why can’t the government tax all income the same, whether it has come from employment, savings, investments, inheritance or profits on the sale of assets? That would be the simplest, fairest system. Hammond has taken the tax system firmly in the other direction.

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